PHILEXPORT News and Features

STRONG PESO ARTICLES

1. Govt asked to build more safety nets to keep momentum of export growth

Pull some levers now to sustain the momentum of exports.

This appeal was aired by Philippine Exporters Confederation (PHILEXPORT) president Sergio R. Ortiz-Luis, as latest developments in the business environment started to dampen enthusiasm the economy will kick further up this year.

A power rate increase in January, a looming wage hike of at least P100 a day across-the-board and an ever strengthening peso that has breached the P49 to the dollar barrier are seen to douse bullish projections on exports, Ortiz-Luis said.

"The economic managers should pull the levers now to help keep the momentum of the double-digit export growth last year," he added.

For one thing, he suggested that the Bangko Sentral ng Pilipinas (BSP) should use the same tactics it has used last year to slow-down the peso from its continued rise in value against US dollar before Philippine exports get priced out of the market.

He explained that the eight percent rise in the value of the peso to the dollar last year had increased the prices of indigenous Philippine exports in international markets the same year. To meet previous orders, exporters had to give up their slim margins to keep their clients.

"They could not afford another eight percent increase in the peso's value without pricing themselves our of their present markets or going under. Combined with a new round of power rate increase and a legislated wage hike, the prospects for exports this year is getting more gloomy," the export leader said.

"It is true that the hard hit indigenous exports make up just over one fifth of all exports. But these include fresh and processed food, handicrafts, furniture, fine and fancy jewelry, home furnishings and fish products. These industries employ the bulk of workers in the entire sector,” he pointed out.

If they lose their ability to compete due to the peso s rise, power rate and labor cost hikes, the fight against joblessness and poverty is lost, he added.

The latest forecast is for the peso to hit P45 to the dollar by the end of this year.

He suggested that for the whole economy to truly benefit from the strong peso, the BSP may get more aggressive in building up its dollar reserves and continues paying in advance the government s billions of dollars in indebtedness.

It may further relax the limits on the dollar purchases of private banks to ease the piling up of dollar remittances and export proceeds in the open market which is driving the peso even stronger.

Interest rates on SME loans may even be pulled lower to encourage small exporters and even domestic SMEs to borrow for their working capital and expansion programs from the banks. **-- Abe P. Belena, *PHILEXPORT News and Features***

2. Strong peso hurting food and other indigenous exports

Overall export performance is expected to maintain its double-digit growth for the whole of 2006 but latest figures from the National Statistics Office (NSO) indicate that the growth is mainly driven by import-dependent manufactured goods.

Indigenous exports, those that depend chiefly on locally sourced raw materials led by processed and fresh food, have started hurting.

The slowdown in indigenous export was attributed by exporters to the strengthening peso which has made local products more expensive in international markets.

The peso breached the P49 to the dollar rate this week.

The biggest export loser in November was the banana industry which posted a decline of 20.5 percent compared to the same month in 2005. Coconut oil, the Philippines biggest farm-based export, also got a beating and retreated by 13.7 percent.

On the whole, farm-based products, instead of following the general growth trend, contracted by 4.9 percent to only $166,12 million compared to $173.52 million in November the previous year.

“This is sad because the food sector and other industries like handicrafts and home furnishings that use local materials are the biggest employers among the top earning export products”, said Sergio R. Ortiz-Luis, Jr., president of the Philippine Exporters Confederation, Inc. (PHILEXPORT).

The general picture may appear rosy but the strong performers are mostly industries that are dependent on imported parts and raw materials with little value-added except the cost of labor.

Among the big winners that sustained a 15.8 percent growth for the first 11 months of last year were semiconductors and electronic products, garments, cathodes, metal components, ignition wiring and garments.

In the high growth list, only woodrift and furniture use raw materials that are partly sourced locally. With local wood and rattan gone scarce, many of the furniture exporters now import a big bulk of their wood and rattan raw materials from other countries like Indonesia. **-- Abe P. Belena, *PHILEXPORT News and Features***

3. Export leader warns farmers are losing out to stronger peso

Food exporters are now scared of making forward sales or booking orders for future delivery due to the continued strengthening of the peso.

This was the straight assessment of Philippine Food Processors and Exporters Organization, Inc. (PHILFOODEX) president Roberto Amores of the impact of a peso that has continued to strengthen against the US dollar. It has gone below P49 to the dollar in recent weeks.

“We are no longer comfortable with the present exchange rate. We are not making forward sales for fear that when we deliver, the peso will even be stronger,” the export leader told reporters during a recent press briefing called by the Philippine Exporters Confederation, Inc. (PHILEXPORT).

“Since the exporters buy their raw materials from farmers, to avoid incurring high exchange rate losses, they hedge by bringing down their buying price. It is the farmers who end up the ultimate losers,” Amores explained.

Amores is a fresh mango and fresh okra exporter.

The administration has been crowing about the strong peso as an indication of a healthy economy but exporters of indigenous products, particularly those who export food and resource-based handicrafts and furniture and families of overseas Filipino workers (OFWs) who have been bringing in the dollars in the first place, have been grumbling since the peso equivalent of their dollar earners went below P50.

“Losses of exporters may not be actual but opportunities that could not be fully taken advantage of due to the volatility of the exchange rate,” explained PHILEXPORT president Sergio R. Ortiz-Luis, Jr.

He said that exporters appreciate some levers being pulled by the Bangko Sentral ng Pilipinas (BSP) to ease the burden on exporters. He mentioned the lifting of the upper limits of the overbought positions of the banks, meaning they can now buy and keep more dollars.

The policy was put in place when the country was suffering from tiny dollar reserves to cover imports and dollar loan payments which is no longer needed when the domestic economy is awash with dollars floating around.

Another BSP measure was the pre-payment of foreign loans. These, however, have not stopped the peso from appreciating.

Ambassador Donald G. Dee, on the other hand, suggested that if the government does not want to directly tinker with the exchange rate, it can do a lot more in bringing down the cost of doing business in the Philippines which he described as very high.

One area he suggested is the cost of electricity which is second highest in Asia and the very high cost of freight in the transportation of goods between the islands.

“A lot of costs to exporters should not be there in the first place,” Dee said.

“The administration should attend to micro issues like high freight and port handling costs to be able to help the exporters survive the strong peso,” he suggested. ***-- Abe P. Belena, PHILEXPORT News and Features***

4. Exporters stop complaining and start closing shops due to strong peso

Small exporters had their own sad stories to tell the media this week on how bad they have been hurting as a result of the continued rise of the peso against the dollar.

“We have stopped complaining and started closing down, “ was how Ricardo Sales, Jr., president of the Christmas Décor Exporters Association of the Philippines (CDPEAP) summed it all up during a press conference they called at the historic Club Filipino in Greenhills, San Juan last Thursday, June 7.

In an official statement the group of indigenous exporters issued, they claimed that up to 75 export enterprises have closed shop in Luzon since the dollar took a steady dive against the peso last January with permanent losses of P375 million and the lay-off of about 30,000 workers.

An equal number have also closed down in Cebu, the exporting capital of Central Philippines.

The peso stood at P45.90 to the dollar at the Philippine Dealing System last Friday or an exchange rate loss of the dollar's value of P5 to the peso in only six months. The indigenous exporters led by Philippine Exporters Confederation, Inc. (PHILEXPORT) trustee Luis Sicat all claimed their margins have been totally wiped out.

They represented the micro, small and medium export enterprises in the food, furniture, holiday décor, and handicraft industries whose main distinction is that, they use mainly local raw materials and labor paid in peso.

Sicat appealed to media and the government, especially the Bangko Sentral ng Pilipinas (BSP), to do something about their plight. He warned that many more enterprises have been incurring losses and are now afraid to take in orders as the peso continued to gain against the US dollar.

Interviewed by PNF after the conference, one of the export leaders said that for the first time in many years, Filipino exporters are now refusing to accept orders, not because they cannot deliver, but because they no longer earn any profit.

They did not suggest any specific action the government should take but PHILEXPORT trustee Renato Pleno said the BSP knows it can do a lot of things to stabilize the peso.

Cebu exporters have suggested that the Philippine government should adopt a two-tiered exchange rate but this has not been fully explained while some of the government financial institutions have been offering a fund hedging scheme that helps insulate the erosion of exporters margins between the time they close a deal and the time they deliver the goods which often takes from three to six months.

More than that, the exporters clamored for a more steady exchange rate, one that is predictable over time. In all, the indigenous exporters said that segments of the export sector that employ the most number of people in the rural areas face the grim prospect of getting wiped out should the rate dive further down. **-- Abe P. Belena, *PHILEXPORT News and Features***

5. Cebu exporters call for flexible exchange rates

Cebu exporters have issued a statement calling for a flexible exchange rate to help address the losses that the industry is experiencing as a result of the appreciating peso.

"We call on the President and her economic team, to take a sensitive look in the current situation (strong peso) and sit down with us to discuss possible solutions…", said the position paper signed by the heads of eight export associations under the umbrella of PHILEXPORT Cebu.

According to the paper, a dual or multiple exchange rate system has been implemented by many countries in the past as an alternate to devaluing their respective currencies. Under a flexible exchange system, preferential exchange rate is applied on export receipts and vital food imports while another rate is used for imports of luxury goods. For capital account transactions, the prevailing market rates are applied to limit possible distortions in the economy.

After the Philippine peso went past the P46.00 range against the dollar, Cebu exporters immediately sounded the alarm and warned of massive job losses in the export sector if the peso continues to strengthen further.

"Our losses are getting bigger and the number of retrenchments in the export sector has drastically gone up," said Jennifer Cruz, President of Cebu Gifts, Toys and Housewares sector and Chairman of the Advocacy Committee of PHILEXPORT Cebu.

"This is not about exporters losing money. This is about workers losing their jobs," said Jay Yuvallos, President of PHILEXPORT Cebu. He said that these workers cannot possibly qualify for better jobs abroad as OFWs because most of them are just high school or elementary graduates whose skills are suited in furniture and handicrafts making. Because of the current peso situation, "we are sending them instead to the mountains", said Juvallos.

The position paper added that the continuing strength of the local currency "will drive the final nail to the SME-exporters' coffin as it will lead to more plant closures, business failures and massive layoffs of workers".

Among the signatories in the position paper were Yuvallos; Robert Oliver, President of Mactan Export Processing Zone (MEPZ); Michael Basubas, President of CFIF (Furniture Sector); Benson Dakay, President of Seaweed Industry Association of the Philippines; Jenifer Cruz, President of Cebu GTH (Gifts, Toys and Housewares Sector); Nelson Bascones, President of AFIME (Food Sector); Minerva Yuvienco, President of CGIA (Garments Sector); Marose Soberano, President of CEBU FAME (Fashion Accessories Sector) and Teresita

Uyfang, representative of the industrial goods sector outside MEPZ. **-- June Abines, *PHILEXPORT News and Features***

6. DBP set to offer its $1B hedging facility to keep exporters from further bleeding

Top officials of the Development Bank of the Philippines (DBP) are set to formally present to exporters on June 28 the bank's reported $1 billion facility to help the dollar earners survive the continued appreciation of the peso against the US dollar.

The offer will be made during the mid-year national conference of the 4,000 strong Philippine Exporters Confederation, Inc. (PHILEXPORT), its president, Sergio R. Ortiz-Luis, Jr., said yesterday.

The exporters made an impassioned appeal to government during a press conference the other week to save them from closing shop due to exchange rate losses.

They said they have lost an average of P1.5 billion a month on goods contracted in the first quarter of this year when the exchange rate was over P50 to the dollar that has gone down to P45 plus to the dollar when they made their deliveries this month.

That translated to losses of P5 per dollar of sales. It takes three to six months for an export deal is made from the time a letter of credit or a purchase order is made by a buyer to the time the ordered goods are paid, it was explained.

"DBP's hedging facility," Ortiz-Luis said, "is like an insurance. Upon the receipt of a purchase order or letter of credit, the exporter can go to DBP and take in an insurance that the peso value of the contracted export product will be the same when the delivery is made."

The DBP buys dollar equivalent to the value to the covered goods and charges the exporter a small interest rate for the peso that it uses in the dollar purchases. The bank then uses the dollar in its investment portfolio to keep it earning.

"When the goods are paid and the peso equivalent of the exported good has gone down, the DBP will pay the exchange rate difference to the covered goods. This assures the exporter that he will not incur exchange rate losses in his deals," the export leader explained.

"With the hedging facility in place, the exporters no longer have to fear they may suffer future losses if the peso keeps on strengthening against the dollar," he added.

“The DBP need not use the whole $1 billion it allocates for the hedging facility. Transactions between the small and medium exporters and their buyers do not reach that much every three to six months,” Ortiz-Luis said.

“The only remaining hitch to the hedging fund,” he further explained, “is that the DBP will not be a green light from the Bangko Sentral ng Pilipinas to engage in more sophisticated financing facility called internationally as derivatives.” **-- Abe P. Belena, *PHILEXPORT News and Features***

7. Exporters hopeful double-digit growth target this year doable

The export industry has not scaled down its 11 percent growth target for the whole of this year despite the continued decline of the peso value of their dollar earnings that has been hurting most of them.

This was the statement made by Philippine Exporters Confederation, Inc. (PHILEXPORT) president Sergio R. Ortiz-Luis, Jr. in the heels of official reports that exports grew only at 8.1 percent for the first four months of the year.

“We are crossing our fingers a surge will come in the second half of the year,” Ortiz-Luis said. He noted that the yearly pattern is for exports to surge at higher growth rate during the third and fourth quarter of the year when orders for the Christmas season get delivered.

“This can happen this year if the rest of the exporting industries especially those who source their raw materials locally, are helped by the Bangko Sentral ng Pilipinas (BSP) cope with the strengthening peso,” the export leader asserted.

The food industry as a whole had experienced a decline of 7.9 percent in sales in April which indicates that the strong peso has been derailing its growth momentum.

“We accept the stand of BSP not to directly intervene in the foreign exchange market,” Ortiz-Luis explained. “But we know that it can do many other things to stabilize the exchange rate.”

The lower than expected growth in exports in April came in the heels of a press conference called by leaders of indigenous exports where they appealed to government for help before more companies fold up after incurring heavy exchange rate losses on sales closed late last year and early this year but delivered in the second quarter of this year.

The export groups that called the news conference represented the food, handicrafts, furniture, holiday décor and other industries that depend largely on local material suppliers.

They had reported that 75 small and medium-sized exporters in Cebu and Metro Manila have closed shop since January. They estimated monthly losses on the appreciating peso at an average of P1.5 billion a month. The big industries that import their raw materials like electronics and machine parts are not affected by exchange rate fluctuations.

As of this writing, the only help offered to save the SME exporters came from the Development Bank of the Philippines (DBP) which is set to present how the exporters can avail of its exchange rate hedging facility this week. **-- Abe P. Belena, *PHILEXPORT News and Features***

8. DBP hedging program gives hope to embattled exporters

Exporters are no longer helpless in the wake of an appreciating peso.

Development Bank of the Philippines (DBP) president Reynaldo G. David made this clear Thursday to over 500 member-exporters of the Philippine Exporters Confederation, Inc. (PHILEXPORT). David launched the state bank's hedging program for exporters during the assembly.

David said the DBP is launching two different products under the program, a foreign exchange insurance scheme, and a forward foreign rate protection scheme.

He said however that the facility is open only to exporters and exporters consolidators. It is closed to speculators.

Exchange rate hedging is a well-developed financial derivative product in more developed economies in the west but new in the Philippines.

David pointed out that based on a one-year trend from June 2006 to June this year, the peso appreciated by 14.96 percent, gaining P7.07 in value over the dollar.

"If an exporter avails of the FX insurance scheme," David explained, "he gets protected against further peso appreciation. If the opposite happens, he stands to gain from a depreciation."

But the exporter will have to pay an insurance fee which is about 45 centavos for every dollar for a foreign exchange insurance term of one month based on open market rates determined by the Reuters/Bloomberg price system. An export order valued at $10,000 is subjected on an insurance premium of $90 over one month.

If the peso depreciates instead when the export shipment is paid, the exporter can sell his dollar earnings at the higher exchange rate and keep the difference.

On the other hand, if the peso gets stronger at payment date, the insurance takes care of his exchange rate losses.

Eligible for coverage are exports covered by either a letter of credit, a purchase order or a sales contract. Other documents required are a company board resolution to engage in the program, a certification from PHILEXPORT that the company is a member of good standing and the hedging agreement with DBP.

The other product, the forward exchange rate protection program, is simpler and less expensive since it only covers the difference between the exchange rate when the protection is contracted and the rate upon delivery of payment to the shipped product.

“Magsusuklian lang ang bangko at ang exporter,” was how David described it.

If the peso appreciates, which is what the exporter wants to get protected against, DBP will pay him the difference. If on the other hand, the peso depreciates, the DBP wins and gets the difference for assuming the risk.

Although the second product does not require any fees, the exporter is required to either open a dollar account with DBP to cover the difference if the peso depreciates, or enters into a credit contract with DBP.

The minimum amount covered by either of the two facilities is $10,000 worth of exports covered by a purchase order or LC but not more than the value of a single shipment. **-- Abe P. Belena, *PHILEXPORT News and Features***

9. Strong peso now hurting electronics exports – SEIPI

The largest segment of the export sector, electronics, has also been hurting from the appreciating peso, its mother organization, the Semiconductors and Electronics Industry of the Philippines Inc. (SEIPI) admitted this week.

The peso breached the P46 to the dollar barrier middle of this week to below P46 to the dollar but retreated back before the weekend.

The dollar has lost 17 percent of its value against the peso from June 2006 to June 2007 equivalent to P7 per dollar in peso appreciation.

SEIPI president Ernesto Santiago told PHILEXPORT News and Features they have made representations with the Bangko Sentral ng Pilipinas (BSP) and the Department of Trade and Industry (DTI), expressing their grave concern over the continued strengthening of the peso against the US dollar.

Contributing over 60 percent of monthly export revenues, SEIPI was the latest among exporting organizations to ask government to rein in the continued rise of the peso as it reportedly resulted in heavy exchange rate losses.

Indigenous exporters that included food, handicrafts, furniture, holiday décor, fishery products that sourced their raw materials locally, have claimed they incurred losses at an average of P2.5 billion a month since January this year.

The food sector has been particularly hit as exports started contracting since the month of April.

They said they are now hesitant to accept new orders as they fear more losses in the future would be incurred if the peso continues to gain value over the greenbuck.

SEIPI officials said they have not yet come out with estimates on actual losses brought about by the strengthening peso but said they have also been hurting.

They explained that although a big bulk of their raw materials are bought in dollars and therefore revenue neutral, their operational expenses including the cost of labor and electricity are peso denominated and are therefore getting more expensive.

To cushion the impact of the strengthening peso, the Development Bank of the Philippines (DBP) recently launched its foreign exchange hedging facility exclusively tailored for embattled exporters. DBP got a provisional permit from BSP for its hedging facility last week.

A new derivative financing service, foreign exchange hedging is yet to be sold for its benefit to exporters and get accepted by its intended beneficiaries in the Philippines.

In the meantime, the exporters have appealed to the BSP for a more stable exchange rate so they can accurately price their products without risking heavy future losses. **-- Abe P. Belena, *PHILEXPORT News and Features***

10. Former economic czar says OFWs, exporters, tourism and local industries are losers from strong peso

Former National Economic and Development Authority (NEDA) chief Cielito Habito has concluded there are more losers than winners in the strengthening peso that breached an 11-year record high of P44.99 to the dollar before the weekend.

Habito, who is now the head of the Center for Economic Research of the Ateneo de Manila University, identified local producers including those who export their products and those who cater to domestic consumers on top of the list of losers.

Other losers include the entire tourism industry, potential foreign investors and the families of overseas Filipino workers (OFWs).

He said the exporters lose because their products have become much more expensive abroad while those that sell their products locally lose to cheaper imported goods.

Exports, he added, seem not to be suffering because the sector is dominated by the electronics and garments industries that import most of their raw materials. He said that high dependence on imported raw materials with very little local content is precisely the problem with Philippine exports. These have very little value added.

He listed consumers who buy mostly imported goods and local goods with high imported parts as the top beneficiaries of the galloping peso. Also favored are people who often travel abroad who can now buy cheaper dollars for their trips, Filipinos who invest their money abroad and those who have dollar denominated loans led by the Philippine government.

On the whole, the strong peso is bad to local industries, bad to exporters including the booming call centers and business process outsourcing outfits that earn dollars but pay their operations including their employees in pesos, and bad to millions of families depending on dollar remittances whose peso value have gone down.

The former economic czar also came out with an explanation why most Filipinos say they have not felt the economic boom being crowed about by the administration.

He said that 61 percent of the economic growth last year happened in Metro Manila and nearby provinces with a share of only 39 percent of those with jobs. In all, only three regions that include Metro Manila Region VI and Region VII accounted for high growth but their share in employment is only 29 percent.

Growth is not yet occurring where jobs are needed most, the doctor on economics concluded. The irony is, the locals with money have not been investing in the domestic economy. **-- Abe P. Belena, *PHILEXPORT News and Features***

11. BPOs, OFWs and exporters join forces against strong peso

Government's gains from a strong peso is a form of indirect taxes drawn from the dollar earning segments of the economy

This was the common conclusion made by the multi-billion dollar business process and call center industry, services exporters, and families of Overseas Filipino Workers (OFWs), who have joined forces with exporters to urge government to take more concrete actions to stop the peso from further strengthening.

In a meeting held this week at the World Trade Center in Pasay City, the diverse groups came to the conclusion that the windfall of interest payment savings the government got from the peso appreciation in the first half of this year was a massive transfer of funds from the dollar-earning sectors to the government.

Economic managers of the government have been claiming that for every peso that is gained in the exchange rate against the US dollar, the government saves P20 billion from lower interest payments on dollar denominated loans.

"The strong peso has eroded the margins of the call center and business process outsourcing industry," shared Oscar R. Sañez, chief executive officer of the Business Processing Association, Philippines.

Threatened, he added, are the jobs of 239,000 knowledge workers in call centers and BPOs.

He said that the sunrise industry earned for the country about $3.5 billion last year but they are now made to suffer because all their expenses are made in pesos while their service contracts signed when the peso was still at the P50 to the dollar, is now equivalent to P45 to the dollar.

The impact of the rapid rise in the peso's value on OFWs , batted in Victor Fernandez, Jr., president of the Philippine Association of Service Exporters, is worse.

"A domestic helper that used to send US200 a month to her family, has lost P1,000 in equivalent peso compared to the end of last year" he said.

That is a big amount in the provinces, Fernandez stressed.

The continued increase in dollar remittances in the wake of the peso's rapid rise, he explained, is driven by the need for OFWs to make up for the lost value of their dollar earnings this year.

The recruitment agencies have likewise suffered from the phenomenon. They buy airline tickets at the exchange rate when groups of new OFWs get deployed. When they get paid by their principals two or three months later, the value of the dollar has gone down and they have to shoulder the losses.

Philippine Food Processors and Exporters Organization (PHILFOODEX) president Bobby Amores, on the other hand, said that his buyer of mango in Japan has just trimmed down by 30 percent its latest order after he increased his price by 10 percent to recover losses under the new exchange rate.

On the whole, the dollar-earning groups agreed to embark on a campaign to prod the government to take action in bringing about a stable and more reasonable exchange rate. When asked what rate can they live with, the OFWs wanted over P50 to the dollar but the rest said they could live within a stable range of P48 to P50 to the dollar*.*

They suggested that the country's money managers may now build up the government's dollar reserves in the same manner that other East Asian nations have built up their reserves to hundreds of million of dollars and for the national treasurer to start paying in advance its dollar loans. **-- Abe P. Belena, *PHILEXPORT News and Features***

12. Exporters not yet downgrading 11% growth despite slowdown

Despite the minimum growth of exports in the month of June at only 1.6 percent, exporters have stuck to the 11percent over-all growth for the whole of this year.

This was made clear by Philippine Exporters Confederation (PHILEXPORT) president Sergio R. Ortiz-Luis, Jr. Friday as he noted that that in late August, the peso had started weakening against the dollar in response to the housing credit squeeze in the United States.

The slowdown in June was partly due to the strong peso that hit a seven year high of P44.90. It has gone back to a more tolerable P46.70 to the dollar average last week, the export leader explained.

The third quarter of the year between July and September, he further explained, is traditionally the peak months of Philippine exports as foreign buyers stockpile inventories for sale during the holiday season in December.

"We expect the same pattern will hold, barring any major incident that affects global trade," he said.

The think-tank IDEA, has come out this week with an analysis of the economic situation in the Philippines and pointed out that the export slowdown in exports in the past few months was mainly due to a strengthening peso that made Philippine goods more expensive abroad.

Leaders of indigenous exports from the handicrafts, food and furniture industries have complained of huge losses they estimated to average P1.5 billion a month when the peso went below P46 to the dollar.

They were later joined in by families of OFWs who pointed out that the peso equivalent of an average of $200 dollars of remittance a month was already lower by P1,000 last June compared to the peso equivalent of the same remittance at P50 to the dollar in December last year.

They have appealed to the BSP for a livable exchange rate. The OFWs want a P50 to the dollar rate while the small exporters wanted a stable exchange rate between P50 and P48.

The fast growing business process outsourcing (BPOs) and call centers, through their association, have been clamoring for a P48 to the dollar rate as livable. -- **Abe P. Belena*, PHILEXPORT News and Features***

13. Export leader blasts the myth of a strong peso equals strong economy; calls for exchange rate policy review

Marshalling facts and figures on victims of a strong peso in the real economy, the head of the umbrella organization of exporters the other day blasted at official claims that a strong peso equals a strong economy, calling it a myth.

Philippine Exporters Confederation, Inc. (PHILEXPORT) president Sergio R. Ortiz-Luis, Jr. further called on the Bangko Sentral ng Pilipinas to review its monetary policies with focus on the peso-dollar rate in the face of hard facts that a majority of Filipinos and Philippine enterprises are victims of a strengthening peso.

The call was made in a forum on the impact of the exchange rate on exporters and other dollar earners organized by the RP-Netherlands Business Council and the Philippine Chamber of Commerce at the Manila Polo Club in Makati City Thursday.

He counted in the families of 8 million overseas Filipino workers, (OFWs), the tourism industry, the local manufacturers competing with cheap imports, and the Business Process Outsourcing (BPOs) industry among the victims of a strong peso.

“Families of OFWs have bewailed that while the $200 in monthly remittances they received in June 2006 when the exchange rate was at P56 to $1 was worth P11,200. With the exchange rate at P46, the peso equivalent has declined to

P9,200. Losses of P2,000 a month is big to a poor family in the province," the export leader explained.

"Indigenous exporters that include food, furniture, handicrafts and garments exporters have computed that they incurred an average of P1.5 billion a month in exchange rate losses in the first half of the year while 75 enterprises closed shop," he added.

"The families of OFWs make up close to one half of 85 million Filipinos while 4,000 export enterprises accountable to 3 million families plus the BPOs that employ 370,000 of the best young professionals are suffering from a strong peso," he pointed out.

"Although the local manufacturers fighting off cheap imports and the tourism industry are yet to consolidate their losses as a result of a strong peso, testimonies as such that they have also been hit hard," he said.

So has the BSP that incurred P30 billion in exchange rate losses for the first half of the year, and the Bureau of Internal Revenue and the Bureau of Customs that attributed a stronger peso as one of the major causes for their not meeting their revenue targets for the first half of the year.

"Outside of the national government that saves on interest payment for dollar loans, and perhaps the importers and smugglers who out-price domestic manufacturers and "hot money" investors, are there beneficiaries of a strong peso that can justify the disadvantages?" he asked BSP Governor Amado Tetangco, speaker for government in the forum.

Tetangco, however, clarified that the BSP does not practice a "strong peso" policy, but a market-determined exchange rate although he admitted that keeping a strong peso was aligned to its chief mandate of reining in inflation.

The export leader, in trying to convince the BSP to adopt an exchange rate policy that makes it a powerful tool in promoting economic growth through exports, said that the Chinese government has adamantly refused to appreciate the yuan against the dollar for almost a decade, knowing too well that keeping their currency cheap makes Chinese goods attractive to global consumers.

He also mentioned the experience of India of deliberately depreciating its currency to spur the growth of its electronics software industry in the past several years and is seriously finding ways of saving its viability as their margins get eroded by its presently appreciating currency. **-- Abe P. Belena, *PHILEXPORT News and Features***

14. Policies to help protect exporters vs strong peso urged

Exporters are asking economic planners to map out policies intended to protect the export sector from the impact of the strong peso and enable it to achieve its 11-percent fighting growth target for 2007.

Philippine Exporters Confederation president Sergio Ortiz-Luis Jr. told PHILEXPORT News and Features they are worried that exports growth this year would only reach 4 to 5 percent as the peso appreciation against the US dollar has been affecting their revenues.

The cumulative export growth for the first seven months of the year slowed down to 6.3 percent, still much below the sector’s growth target.

Ortiz-Luis said this situation is aggravated by the rising cost of doing business in the country, particularly of electricity, and the home credit crunch that has hit the United States, the Philippine major market.

To address these problems, he suggested the need for the government to pre-pay some of its foreign loans and shift to local borrowing and also double its reserve requirement from $ 30 billion to $ 60 billion while the dollar is accumulating.

“Our lower average of seven months’ worth of imports of goods is lower compared to others,” he added. “The country’s dollar reserve, not the strong peso, is the true indicator of a stronger economy.”

Should the government implement these measures, Ortiz-Luis said, the export sector could grow as high as 20 percent and boost the economy’s gross domestic product (GDP) to grow 8.5 to 9 percent.

“An empirical evidence shows that every three-percent growth in exports translates to one-percent growth in GDP. Thailand and Malaysia spurred their economies through exports,” he noted.

Ortiz-Luis said while the remittances of overseas Filipino workers could drive consumption and housing, these do not generate employment as the export sector does.

He compared that exports alone comprise 50 percent of the economy while remittances of OFWs reaching $10 to $12 billion are not even a fourth of export revenues.

"The strong peso really affects the economy, the exporters, domestic manufacturers and families and relatives of OFWs. The strong peso is only good for the government but not to the majority of population," he added. **--Danielle Venz, *PHILEXPORT News and Features***

15. PLDT chief admits telecom hit by powerful peso; suggests managed foreign exchange glide

Telecommunications giant Philippine Long Distance Telecommunications Company (PLDT) has admitted it has joined the lengthening list of losers to a powerful peso with a drop by P579 million in its revenues for every P1 appreciation of the peso against the US dollar.

This was revealed by PLDT boss Manuel V. Pangilinan while addressing participants to the Philippine Business Conference which culminated Friday at the Manila Hotel and urged the government to adopt measures to manage a glide and prevent drastic fluctuations and allow the peso a soft landing.

"The telecommunications and the contact center businesses are among the most significantly affected by a rapidly appreciating peso," the top executive said. " In the case of PLDT, our revenues drop by P579 million for every 1 peso appreciation to the dollar. As to our BPO operations, operating margins have compressed because of lower dollar-to-peso revenue translations, while our operating expenses are in pesos and are subject to domestic inflationary pressures."

He further estimated that the appreciating peso has resulted in the loss of P189 billion in purchasing power of families of Overseas Filipino Workers (OFWs) since 2004.

"The situation has reached the point of urgency that coalitions of overseas workers and exporters have already broached the idea of dual exchange rate – not a good idea," Pangilinan said.

The top honcho of one of the country's most profitable companies warned that a peso that gets too powerful each day, driven by OFW remittances and business process outsourcing could not be sustained.

He warned that "at some point, the forces for a slow implosion can result in a situation where the increasing exodus of workers creates only as many jobs and incomes abroad as it destroys at home, leaving the economy unimproved or even worse off."

To guard against that eventuality, Pangilinan suggested that the government adopts several measures to allow for a soft landing to the peso. He said moves of the government to shift to domestic borrowing and the early payment of dollar-denominated debts must be accelerated.

Furthermore, he suggested to monetary officials tomanage the rise and fall of the peso. “This guided predictability,” he explained, “will allow businesses to plan and operate better.”

Of the five strategies to move the economy forward that Pangilinan proposes besides managing drastic fluctuations of the peso-dollar rate, he broached the idea of pushing a short list of catalytic public works projects that include power plants, seaports, airports and major highways in key growth areas.

“These,” he explained, “would stimulate importation and the demand for bigger amounts of dollars that will have the effect of dampen further appreciation of the peso.” **-- Abe P. Belena, *PHILEXPORT News and Features***

16. Export leader calls on more exporters to shield themselves from peso’s rampage

Take shelter under the Development Bank of the Philippines (DBP) hedging facility for exporters.

This was the advice sent out by Philippine Exporters Confederation, Inc. (PHILEXPORT) president Sergio R. Ortiz-Luis, Jr. towards the weekend as the peso outperformed all other Asian currencies in appreciating against the US dollar this week.

The peso hit a new high of P43.27 Wednesday and was projected by fund managers to get even stronger in coming weeks until the Christmas holidays, further threatening to erode deeper the viability of Philippine exports and reduced the buying power of the dollar remittances of over 8 million overseas Filipinos.

As of last week, DBP president Rey David reported to media that the state-owned bank has served 17 exporting companies that sought to take advantage of its forward exchange rate cover, the simplest of its hedging facilities that insures the exchange rate losses of an exporter between the time that an order is made by a foreign buyer to the day the exported product gets paid.

For its part, PHILEXPORT has been making the rounds of major exporting regions from Davao in Mindanao to Clark in Central Luzon, promoting DBP’s special hedging facility to shield exporters from getting under due to the continued rise of the Philippine peso against the US dollar.

DBP and PHILEXPORT earlier entered into an agreement for the setting up of the hedging facility as a practical safety net offered only to exporters who have estimated losing an average of P2.5 billion a month since the dollar's value continued sinking this year.

The Bangko Sentral ng Pilipinas (BSP) has tried unsuccessfully to stem the peso's rise by augmenting its foreign exchange reserves, paying in advance a big bulk of its dollar denominated loans and urged the national government to do the same. **-- Abe P. Belena, *PHILEXPORT News and Features***

17. Export leader calls on gov't to stop getting foreign loans to check peso's rise

The umbrella organization of exporters today called on top government officials to stop getting foreign loans to put to a brake the dollar's free fall against the Philippine peso.

Philippine Exporters Confederation, Inc. (PHILEXPORT) president Sergio R. Ortiz-Luis, Jr. issued the call after the peso hit P41 to the dollar in the currency market Thursday, the strongest it has reached in seven years.

The export leader further urged the national government to increase payment of dollar denominated loans contracted in the past to siphon off excess dollars in the domestic market seen to surge with Overseas Filipino Worker's (OFW) remittances for the Christmas expenditures of their families and proceeds from export deliveries in the past two months.

"It is time for the national government to join the Bangko Sentral ng Pilipinas (BSP) in its efforts to check the continued strengthening of the peso which has been proven to be bad to majority of our people," Ortiz-Luis pointed out.

He said that in trying to slow down the peso's rise in value against the dollar, the BSP has incurred heavy losses in the past few months.

"It is now the turn of the rest of the economic managers in government to come to the aid of big segments of the economy including the exporters, the OFWs, the call centers, tourist establishments, domestic industries and farmers that are now suffering from a strengthening peso," he added.

"Previous mitigating measures," he stressed, "have not been sufficient to ease the erosion of the viability of Philippine exports brought about by the peso's continuing rise in value against the greenback."

In a related interview over radio, former Budget Secretary Benjamin Diokno asserted that most Filipinos have been victims of a strengthening peso and does not reflect a strong economy.

Diokno suggested that the government should suspend the contracting out of new foreign loans for the next three years to prevent the peso from further strengthening below the P40 to the dollar level.

“If the Philippines has dollar reserves of $1.4 trillion like China, it could afford a fixed rate,” he said.

Finance Secretary Margarito Teves the other day announced that the portfolio of national government borrowings next year can be improved to be 80 percent from domestic sources and 20 percent foreign.

The borrowing ratio has been at 60 percent local and 40 percent foreign until this year, according to Teves.

The export leader and the UP economics professor are one in arguing in favor of halting altogether foreign borrowings. **-- Abe P. Belena, *PHILEXPORT News and Features***

18. Tales of woes due to peso’s rampage out

Natural Treasures Inc. is practically unbeatable in its niche market of supplying high-end home and holiday decors made of capiz shells to Italy.

But this year, sales that fetched an average of $1M a year in the past went down to only $600,000 due to an ever strengthening peso and other cost-bloating developments.

The medium-sized company had to say goodbye to 200 of its 300 workers in Marikina before Christmas despite increasing prices by 10 percent if only to survive, testified Terence L. Cleak, its president.

Although his Italian buyers still want to buy capiz products, Cleak said, he was advised by them to just shift to other ventures since staying in that kind of business is proving to be a waste of time.

The company may still find a way out but the displaced workers and OFW returnees also victimized by the strong peso that applied for work with Natural Treasures, remain unemployed.

Noel Cunanan, owner of Mecca Manufacturing, a furniture-maker maker in Pampanga, had an equally sad story.

“I lost P70 million this year to the strong peso, wiping out my earnings for 25 years,” Cunanan pined to PHILEXPORT News and Features. Besides his losses, he was also forced to lay-off two thirds of his 300 workers.

Their experiences magnify the social dimensions of impact of a strengthening peso that continues to hound exporters.

“The exchange rate stood at P41.31 to the dollar this week from as much as P56 to the dollar September of last year. This translated to exchange rate losses of 27 percent in 16 months especially among indigenous exporters,” said Sergio R. Ortiz-Luis, Jr., head of the umbrella organization of exporters, PHILEXPORT.

Indigenous exports are Philippine products whose raw materials are all sourced locally. These include food, handicrafts, furniture, fish and other marine products.

“The indigenous exporters only contribute 20 percent of total exports but they employ eight out of 10 people in the export sector,” he explained.

These are the worst hit segment of the export sector.

Although over-all exports managed to expand by 5.44 percent from January to October this year, the growth in the month of October was mainly carried by electronics products whose raw materials are imported and bought in dollars. **-- Abe P. Belena, *PHILEXPORT News and Features***

19. Buying shares of local companies in dollars impractical; but local bourse may offer shares of foreign firms in

A dollar bourse at the Philippine Stock Exchange (PSE) has been found impractical for the simple reason that it is hard to accurately price in dollars the peso value of shares of stocks of local companies.

Both the dollar-peso exchange rate and the peso value of local shares offered in the open market fluctuate every minute during trading hours, making adjustment in prices of a dollar denominated stock exchange extremely hard.

This surfaced in several exploratory talks between the PSE, the Development Bank of the Philippines and the Philippine Exporters Confederation, Inc, (PHILEXPORT) in their search for ways of creating bigger demand for US dollars to help stabilize volatile peso-dollar rate fluctuations.

But why not sell the stocks of foreign companies in dollars at the PSE, instead?

This could be done with the use of Depository Receipts, an investment instrument that allow investors to buy shares of stocks of companies in the US, Japan, Europe and other countries with active stock exchanges without the need to go to those countries.

In the case of the Philippines, the DRs and the daily trading may become part of the functions of the local stock exchange with stock brokers and fund managers playing roles in an the transactions.

The possibility of selling foreign shares to Filipino investors with dollars was seen as a more viable option of creating more demand for dollars was explored in recent meetings between PSE president Francis Lim, DBP boss Rey David and PHILEXPORT head Sergio R. Ortiz-Luis, Jr.

The trio have been exploring ways of siphoning off from the domestic arena the excess dollars that are coming in via portfolio investments, remittances and exports that have driven the peso to new highs this month at the expense of the very people bringing in the dollars, the OFWs and exporters.

Also being studied is the further liberalization of dollar outflow. Dollar inflows through direct and portfolio investments, loans, remittances, exports and other dollar-denominated deals have been totally opened in the Philippines.

Outflows, however, remain tightly controlled. **-- Abe P. Belena, *PHILEXPORT News and Features***

20. Embattled exporters share tips on surviving strong peso

Sell in Europe, price your products in Euro and open a Euro bank account. You will find yourself ahead when the US dollar loses some more of its value against the peso.

This was the advise of holiday décor exporter, Buena Mano Crafts with over a thousand exporters gathered during the Christmas program of the Philippine Exporters Confederation (PHILEXPORT) searching for ways of surviving the strong peso. She based her tip on her company's actual experience in beating the exchange rate crunch this year.

The PHILEXPORT general membership Christmas program was devoted to sharing successful strategies adopted by individual companies in dealing with the exchange rate crisis that has impinged on the viability of Philippine exports.

Ms Marlyn Villareal, president of Buena Mano, told her fellow exporters that she sought the help of the DTI to open a Euro account with a domestic bank since her buyers mostly from Europe pay their bills in the European common currency.

The strategy has proven a good shield when the Philippine peso further gained strength against the US dollar, while the Euro stood firm towards Christmas time.

The same strategy may be used by other exporters who sell to countries outside of the US with appreciating currencies, she suggested.

Babies and children’s clothing exporter to the United States, Ms. Jean Ascaño, of Ascaño Clothing, took another creative tack.

When the dollar started slipping below her computed break-even exchange rate of P50 to the dollar last January, Ms. Ascaño informed her buyers, the biggest of them was Baby Togs New York, that she was stopping her export operations.

She stopped exporting and shifted to taking in only local orders.

Last June, the president of her chief buyer came to the Philippines to convince her to again export. She bargained hard for better prices that allowed her some profit margin. Ms Ascaño, who had a track record of designing her clothing products without charging additional design charges and producing only high quality items, bargained hard and won.

From Baby Togs NY, she has gotten $1 million worth of exclusive orders since last July to July next year. She is back in business.

Guaranfood Manufacturing, a medium-sized food processor in San Pablo City took another tack. It went into an honest-to-goodness energy conservation in its plant and increased plant efficiency.

With the help of PHILFOODEX, the umbrella organization of fresh and processed food exporters which employed a Japanese energy conservation export to help its members, the food processor was able to reduce its production costs despite the dual problems of strengthening peso and the shooting up of the price of diesel fuel used running its processing plant.

The company has stayed afloat at a time when most indigenous exporters have been laying off their workers and declining orders.

Craft Mill, Crafts, a handicrafts maker known for its innovative design with 400 regular employees and another 150 to 300 employed by its subcontractors, made it through the hard times by hedging its dollar sales with the Development Bank of the Philippines.

The forward protection cover of its orders provided by the DBP helped him tide over the whittling down of the peso equivalent of his dollar sales between an order was booked until it was paid. **-- Abe P. Belena, *PHILEXPORT News and Features***

21. Taking care of one's workers proves to be sound business strategy

In 35 years in the furniture export business, Betis Crafts, Inc. in Guagua, Pampanga has weathered more than its share of storms.

It has survived the ebbs and flows of the exporting game with one proven formula. It has taken care of its own people.

Some of Betis former senior employees are now entrepreneurs in their own right, employing their own workers as subcontractors.

In two plants owned by the medium-sized company, a production plant in Concepcion, Tarlac and a finishing plant in the village of Betis in Guagua, 400 regular employees work.

The latest crisis, the strengthening of the peso against the US dollar, has eaten up 20 percent of its profits. It increased the price of raw materials and that of transporting these to the plants and from the plants to the ports.

This has not deterred the furniture-maker from its most recent project, that of providing houses to its senior workers, says Mrs. Myrna C. Betis, president of Betis Craft. Construction of the first units began last May.

The housing project which is benefiting its senior employees, is but the latest of a package of assistance Betis has provided to its workers.

It has helped establish an employees' cooperative that is both a credit union and wholesaler of basic goods including rice and groceries.

When many of their workers practically pawned their monthly pays by using their Automated Teller Machine (ATM) cards as collateral to high-interest, short term loans, it launched a SAGIP ATM program that saved the workers from getting perpetually indebted to five-six lenders.

The company likewise helped workers and their wives learn the rudiments of family finances management through counseling and seminars.

Not only this. It unleashed their money-making potentials by encouraging them to recycle scrap materials that include foams, upholstery materials to be made into saleable items. It donated vegetable seeds and seedlings to them and coaxed the workers for planting in their home gardens.

The Bituins have proven that a well taken care of pool of loyal and productive employees is a solid anchor of an enterprise. **-- Abe P. Belena, *PHILEXPORT News and Features***

22. Strong peso crisis prompts institutional reforms to address common exporters' woes

Things may get worse for exporters before these get better next year for long-term solutions are being adopted to address their recurring and common problems.

The year-long fall in the value of the US dollar against the peso that eroded the viability of exporting as a business has prompted industry leaders and their allies in government to adopt institutional reforms that address some of the exporters' most urgent problems.

Thus summed up Philippine Exporters Confederation, Inc. (PHILEXPORT) president Sergio R. Ortiz-Luis, Jr. in his year-end report to members of his organization.

In efforts to mitigate the impact of the strong peso, set in place this year were: a dollar hedging facility put up by the Development Bank of the Philippines (DBP) to help shield the peso margins of exporters for every shipment between the time an order is booked and the day it gets paid which often takes 90 days.

“To promote the facility, PHILEXPORT and DBP staged roadshows in major exporting areas from Clark in Central Luzon to Davao City in Mindanao. A number of exporters in Metro-Manila and Davao have availed of the forward exchange rate cover, the simpler of two products offered by DBP,” the export leader said.

An Export Promotions Fund (EPF) program was finally set into place with initial seed fund of P280 million. Before the year ended, 10 projects worth P32 million have already been approved. Proposals from industry associations and field chapters have kept on pouring in the Export Development Council that manages the fund.

Only recently, the Bangko Sentral ng Pilipinas (BSP) and the Department of Finance announced two major institutional reforms to arrest the further decline of the greenback's value against the peso.

These included the liberalization of the outward flow of dollars through investments and allowed to be brought out by individuals, and the decision to change the mix of yearly government loans from the present 60 percent local and 40 percent foreign to a more favorable 75 percent local and 25 percent foreign borrowings beginning this coming year.

The one-way inward flow of dollars that has long been liberalized while tight control of dollar outflows imposed during the dollar crunch in the waning years of the Marcos regime, has trapped in the domestic economy dollar surpluses since the balance of payments turned positive in recent years.

These excess dollars piling up in the local financial system, plus portfolio investments, dollar-denominated loans and growing exports have combined to give artificial strength to the peso.

“Other steps to create bigger demand for dollars need to be set in place this coming years to stabilize the peso-dollar exchange rate at a more competitive and predictable range,” Ortiz-Luis said.

In the area of addressing the continued slide of the Philippines close to the bottom in the ranking of the most competitive nations across the globe, the Export Development Council heeded the call of President Macapagal-Arroyo for the organization of the multi-sectoral National Competitiveness Council (NCC).

“The NCC,” Ortiz-Luis reported, “went on full operation this year and is now addressing national concerns meant to enhance the country’s ability to compete for investments and markets that do not directly affect the export sector.”

And to once-and-for-all address the perennial issue of small businesses’ lack of access to formal sources of credit, the legislative advocacy to plug the loopholes of the Magana Carta for SMEs, is seen to finally pay off.

The improved omnibus law governing the development of tiny to medium-sized enterprises has been approved by both houses of the Philippine Congress and may take effect in the first quarter of next year.

“Among the approved bill’s major reforms are: the inclusion of micro enterprises within its coverage instead of just the 800,000 small and medium enterprises presently covered. A loophole in the old low that allowed private banks to dodge the rule on mandatory lending to small enterprises has been plugged,” Ortiz-Luis concluded. **-- Abe P. Belena, *PHILEXPORT News and Features***

23. Filipinos with dollars will soon be allowed to invest in foreign blue chip stocks

OFW families with dollar savings, exporters and other dollar earners may soon be able to invest their dollars in shares of stocks of star-performing companies from Hongkong to New York without leaving the country.

This will most likely form part of the operations of the Philippine Stock Exchange (PSE) this coming year, using dollar-denominated Deposit Certificates (DRs) as investment vehicles.

DRs are envisioned to allow local investors to get stakes in Microsoft and other hot stocks offered in other countries.

The new investment vehicle is now being worked out by the PSE, the Development Bank of the Philippines (DBP), the Philippine Exporters Confederation, Inc. (PHILEXPORT) and House of Representatives trade and commerce committee chairman, Dionie Cua.

“We must acknowledge the fact that Congressman Cua was the one who initiated the dialogue between the parties trying to create a new investment instrument that created bigger local demand for dollars,” said PHILEXPORT President Sergio R. Ortiz-Luis, Jr.

“Combined with the slowdown in the contracting of new foreign loans, the pre-payment of past dollar loans with dollar remittances and export receipts and other levers pulled by the economic managers, we hope that the supply and demand for dollars would balance by mid-year,” the export leader said.

“This would stabilize the exchange rate, check the further erosion of export margins that hurt exporters this year, made the call centers and BPOs to review their $10 billion revenue target by 2015 and reaching the one million employment target by 2010,” Ortiz-Luis said. **-- Abe P. Belena, *PHILEXPORT News and Features***

24. New export plan to put special focus on strong peso, high electric rates

Common issues that undermined the viability of Philippine exports across industries last year led by an ever strengthening peso, historic high electric rates and lack of infrastructure support will be given special focus in the 2008-2010 export development plan.

And for the first time since a three-year, rolling, export plan was drawn soon after the enactment of the Export Development Plan of 1994, investment promotions in the export sector will become an integral part of the new plan.

These new strategies were adopted in the first session of leaders of exporting industries and their counterparts in government held in a visioning conference at the Bangko Sentral ng Pilipinas Friday in efforts to come out with a national plan for the sector by the end of March.

The decision to tackle head-on the common domestic problems that whittled export growth projections last year from a high of 9 percent to an actual performance of only 4.75 percent growth by the month of November prompted industry leaders and their partners in government to pay special attention to those issues.

Philippine Exporters Confederation president Sergio R. Ortiz-Luis, Jr. questioned the fact that the peso turned out last year as the “superstar” currency in Asia but ironically did not reflect a “superstar” performance of the economy.

He attributed the rapid strengthening of the peso to trending by portfolio investment speculators rather than reality, arguing that a 10 percent growth in monthly OFW represented a small fraction of dollar incomes each month while exports are still the biggest earners.

Handicrafts industry leader Luis S. Sicat, one the other hand, insisted that the new export plan must address the common problem for the situation in the export sector has reached a “crisis” situation.

Tasked to review the export plan as implemented until it expired December of last year, Asian Institute of Management (AIM) Federico Macaranas also noted that the new plan must do more on “competitor” intelligence to enable Filipino exporters to better compete internationally.

He revealed that the last export plan scored very low on gathering market intelligence, especially the critical information from competitors.

Another major change expected when the regional plans are consolidated into the national export plan is for the re-clustering of the 17 top priority industries into smaller groups to maximize government assistance that need to plowed into those groups.

They likewise assigned a technical group that will help determine the growth potentials of specific industries in the priority list under present realities here and abroad to know if they deserve supporting. **-- Abe P. Belena, *PHILEXPORT News and Features***

25. Exporters report heavy losses and rejection of orders due to strong peso

A cross section of the export industry has reported between 10 and 15 percent in losses due to continued peso appreciation last year while some said they rejected millions of pesos worth of orders after their margins were totally eroded.

Almost all of the small and medium enterprises that responded to a surveys made by the Philippine Exporters Confederation (PHILEXPORT) claimed they resorted to laying off some of their workers, instead of totally closing shop.

The industries that responded included members of the furniture, garments, food and home décor industries.

One furniture company that requested not to be identified if the survey result gets published said that after incurring up to 15 percent in losses for a one year supply agreement with its buyer in the United States until the month of October, it had to turn down a new order worth over P30 million last November.

It said that delivering the November order at its old dollar price would have resulted in bigger losses.

The exporters pointed out that while the cost of raw materials went up by five to 10 percent during the year, the peso equivalent of their dollar sales went down by P17 to P20 to the dollar.

"It is impossible to stay competitive. And there is no buyer who is willing to accept a 20 percent increase in prices," asserted an exporter from Central Luzon whose estimated sale last year was $2.7 million.

"I don't see the end of the dark tunnel," the exporter added. He saw more lay-offs this year. **-- Abe P. Belena, *PHILEXPORT News and Features***

26. Export sector faces a crisis; below zero growth seen

The export industry now faces a full-blown crisis and may even contract this year.

This grim prospect was admitted for the first time by Sergio R. Ortiz-Luis, Jr., president of the Philippine Exporters Confederation, Inc. (PHILEXPORT), when addressing the first national meeting of the umbrella organization of exporters in Manila this week.

His projection bolstered revised forecast of below zero growth made by the Semiconductor and Electronics Industries in the Philippines Inc. (SEIPI) a few days earlier from an optimistic five percent projection it made for its segment of the export sector before last year ended.

SEIPI members account between 65 and 70 percent of monthly exports.

"We may not be able to talk of any growth in exports this year. The global and local climates are such that we may have to struggle just to stay in business," Ortiz-Luis pointed out.

Already, small and medium-sized members of the export federation in the provinces have reported laying-off some of their workers.

Ortiz-Luis cited four major reasons behind the grim projection. One is the continued strengthening of the peso that has moved to P40 to the dollar before the week ended.

Second is the continued rise of the cost of electricity. The biggest electric distributor in Luzon has petitioned the Energy Regulatory Board for a new increase in its distribution rates. Retail rates of electricity in Luzon had gone up to a record high of P11 per kilowatt-hour.

Third reason is the historic rise in the price of crude oil that hit $100 a barrel late December. This is bound to increase the cost of moving goods on land and across waters this year.

Fourth is the looming economic recession in the United States, the single biggest destination of Philippine products.

In the light of these developments, the export leader reiterated his call on the government to stop borrowing in dollars beginning this year and keep on paying old dollar loans with remittances from Overseas Filipino Workers (OFWs).

The bold move of stopping foreign borrowings, he explained, would siphon off too much greenbacks floating in the domestic economy, putting further pressure on the peso's continued appreciation.

"If they are serious to really help save the export industry, the economic managers must go all the way and stop foreign borrowings. A crisis situation demands bold decisions. And we are an industry in crisis," Ortiz-Luis asserted

In the same occasion, Ortiz-Luis was reelected together with 13 other re-electionist members of PHILEXPORT Board of Trustees. Two new trustees joined the confederation's governing body, Apolinar Suarez representing the furniture industry of Cebu and Francisco Ferrer, representing the electronics and semiconductor industry.

Reelected to the board with Ortiz-Luis were Paterno H. Dizon of the associate sector, Donald G. Dee of the textile sector, Luis Sicat of the fashion accessory and jewelry group, Renato M. Pleno of the non-metals sector, Roberto Amores of the food sector, George Barcelon of the footwear industry, Oscar Barrera of the chemical industry, Ceferino L. Benedicto of the metals sector, Benjamin Kalalo of the houseware industry, Nora Lao representing holiday décor makers, Diana Santos of the associate sector, George Siy of the garments industry, Emma Teodoro of information technology and Feliciano Torres from the automotive parts industry. **-- Abe P. Belena, *PHILEXPORT News and Features***

27. More job losses reported due to strong peso

Different exporting sectors in Central Luzon region have reported total job loss of 8,154 last year due mainly to peso appreciation that continue to affect their profitability.

Around 132 small and medium enterprises (SME) exporters that responded to a survey made by the Philippine Exporters Confederation (PHILEXPORT) are located in Clark Freeport Zone, Subic Bay Metropolitan Authority (SBMA) Freeport Zone, Bataan ecozone and even those outside of ecozones in Pampanga, Nueva Ecija and Bulacan.

These companies are engaged in home furnishings, handicrafts/home décor, wearables, electronics and semiconductor, industrial, business process outsourcing, food, services/logistics and other export-related sectors.

Most of them were forced to lay off some of their workers instead of totally closing shop. While some opted to continue their operations despite declining margins or even operating at 'break-even' sales just to keep the jobs of their workers.

They said rising cost of production, like electricity and labor, is also affecting their operations.

One medium-sized furniture firm in Pampanga retrenched 2,500 of its workers after its four shops folded up. It has now only 500 employees working in its one remaining shop.

Despite this, the company is optimistic of surviving these difficult times. It continues joining local and international trade fairs to generate sales and recover losses.

The same survey made by PHILEXPORT among Christmas décor producers and exporters indicated that 463 jobs were lost last year also due to strong peso.

The local currency has already breached the P40 level against the greenback as against last year's P50 to the dollar. The peso appreciation has been affecting revenues of various sectors especially the export and BPO industries and even income of overseas Filipino workers. **– Danielle Venz, *PHILEXPORT News and Features***

28. Big food firms join SMEs in growing number of casualties to a strong peso

A large food processing company in a town in Misamis Oriental recently shut down its facilities and paid the separation pay of its 2,000 employees due to heavy losses in its export business as a consequence of the strong peso.

The company, which requested not to be named in print, was so far the second biggest export enterprise that reported it has gone belly up as the Philippine Exporters Confederation, Inc. (PHILEXPORT) continued to count casualties.

It closed its food processing operations January 15 and finally paid the separation pay of its laid-off workers February 15.

The plant, whose product lines use coconut as its main raw material, was the biggest employer in this town in Misamis Oriental.

A Pampanga-based furniture exporter has earlier reported that it has closed four of its five factories and have retrenched 2,500 workers due to the rising peso.

Another big company that processes and exports carabao mangoes in Davao City reported it laid off 550 workers as of the end of last year for the same reason. This whittled down the number of its employees from 4,668 in 2006 to 4,118 by the end of last year.

Meanwhile, in Cebu province, the furniture industry this week reported a total of 5,000 workers of 42 furniture makers that have lost their jobs, while total revenues declined by nine percent when the peso continued to erode their viability in 2007. Cebu Furniture Industry Foundation (CFIF) executive director Rube Salutan filed the report.

More lay-offs are anticipated as the peso’s value continues to gain against the US dollar, the export enterprises told the Philexport News and Features. The volatile exchange rate has been hovering a few centavos above 40 pesos to the dollar towards the weekend.

With reports from Cebu and Mindanao, the actual tally of export industry workers that have lost their jobs as of this week already exceeded the 10,000 mark at the exact figure of 10,704.

Last week, 132 small and medium enterprises in Central Luzon reported they retrenched 8,154 workers last year to stay in operation at reduced capacity in the hope for a better business climate.

Central Luzon exporters had resorted to downsizing their operations, instead of totally closing shop, the report to their mother organization indicated.

PHILEXPORT had fanned out survey questions to all its 19 regional and provincial chapters representing close to 3,000 individual enterprises, big, medium and small, last month to get at the exact impact of the strong peso on exporters.

Complete reports have only been made for Central Luzon, the fourth biggest concentration of exporters in the country behind Metro-Manila, Cebu and Southern Luzon. Reports from the rest of the country are yet to come in.

Other big exporting regions that have not sent in their formal reports included the CALABARZON south of Manila, Northern Luzon, particularly Baguio and the Ilocos, the Bicol Region, Cagayan De Oro, Zamboanga and Gen. Santos City in Mindanao. Cebu which is the second exporting region in the country had not given its final count.

Responses as of this week represented less than 20 percent of PHILEXPORT members. **-- Abe P. Belena, *PHILEXPORT News and Features***

29. Congressman Cua calls on Congress to save export industry from collapse

“We must not allow exports to just wither helpless, and die.”

This was the plea made by Quirino province’s lawmaker Junie Cua this week. He called on Congress to embark on a rescue operation to save the families of Overseas Filipino Workers (OFW) and exporters and their workers suffering from the rampaging peso.

Congressman Cua, the senior vice chairman of the influential Committee on Trade and Industry of the House of Representatives, made the call in a privilege speech he delivered before his colleagues early this week.

“In the same token, we could not just stand by and watch broken OFWs come home, penniless, or watch them send very little to their families because their dollar earnings have been whittled down in peso terms, he said.

Calling the notion that a strong peso equals a strong economy a myth, Cua delivered a speech that had shown that the vast majority of Filipinos have become unwilling victims of a superstar peso.

“The success stories of our exports and our OFWs are just two of a few success stories in this nation’s economic history for a long, long time,” Cua asserted. “By default, we, in government are now a witness to the same success story turning into a national tragedy.”

He warned that if the export industry is allowed to collapse, the country will see a potentially debilitating dollar shortage crisis last seen in the dying years of the Marcos regime when our traditional exports went kaput.

One of the immediate things that we can do, he told other congressmen, is to stop the executive department from contracting foreign loans, and for the national government and the Bangko Sentral ng Pilipinas (BSP) to keep on paying not only maturing loans, not only interest rates, but pre-paying other loans with the excess dollars brought in by exporters and OFWs.

His second suggestion was for Congress to put up an Export Support Fund possibly from the savings generated by government out of interest and principal payments on loans. The fund can be used to assist micro, small and medium export enterprises, particularly the indigenous exporters that source their raw materials locally, before they go belly up.

He outlined several ways of using the fund, including the development of infrastructure and other facilities that exporters need; expansion of the hedging facilities available in banks; and enhancing the social benefits of workers.

Finally, he suggested the review of the BSP mandate which that covers inflation monitoring. The BSP has repeatedly underscored its policy to allow market forces to determine the exchange rate, a direction which the more successful Asian economies do not share.

However, despite this claim, the BSP has intervened a number of times to siphon off excess dollars in the market, resulting to heavy losses on account of the strong peso. **-- Abe P. Belena, *PHILEXPORT News and Features***

30. Exporters ask BSP to stop making forex projections

Exporters have urged the Bangko Sentral ng Pilipinas (BSP) to veer away from making projections where the peso is going, but instead give a signal when the foreign exchange rate is already overvalued to take away further speculations.

The call was made by Philippine Exporters Confederation, Inc. (PHILEXPORT) president Sergio Ortiz-Luis in the light of the continued appreciation of the peso now hovering at 40-level against the US dollar.

“The problem really is I think, we lost control of managing the exchange rate. The reason is, every time some fund managers make pronouncements on how they look at it (peso) and the bureaucracy agreed, it happened,” Ortiz-Luis told PHILEXPORT News and Features.

“The psyche has been created that all these predictions shall come true to the point that the peso becomes overvalued. By then, it’s really no longer market forces and that is being dictated now by outside forces who obviously make money out of these self-fulfilling projections because of their positions in their own banks or in their own funds,” he noted.

Ortiz-Luis expressed doubts if they have a scientific way in arriving at their exchange rate projections.

He recounted that previous CB governors were very cautious at giving any signal on trending where the exchange rate was leading. They prevented wild fluctuations.

The present BSP must be more prudent today as the country has already been invaded by so many “hot money” players who also masquerade as analysts, he asserted.

“There is no valid reason why we should be claiming we have the strongest growing economy, strongest appreciating currency in the region and thus became superstar,” he said.

He said that portfolio investments, those that are gambled in the stock market, in the money market, in debt papers, in commodity futures and other derivatives have nothing to do with the real economy where goods and services are made.

The portfolio investors should be dealt with suspicion. They are only out to make quick profits.

“In January, with the subprime crisis (in the US), all these portfolio money declined. We’re now down to 3,100 points again and yet, the peso hardly moves,” he said noting “This only goes to show that it is no longer the reality in the movement of the peso but really of the psyche that was created.”

Ortiz-Luis said remittances of the overseas Filipino workers (OFW) should not be the basis of the strong local unit.

“OFW remittances is a constant. We will only be talking of the incremental remittances in the same manner as export, which is also constant,” he stressed.

To address this problem, Ortiz-Luis suggested the need for the government, particularly the BSP, to give a signal when the peso is already overvalued to take away speculations.

“What they will do is put it in proper valuing, value that is really market (driven) and make this known officially and not keep on hammering on the benefit of a strong peso,” he said. “I would like to go to the real exchange rate now without the speculative nature which I feel is about P42 to P43.”

With these developments, Congressman Junie Cua, senior vice chairman of House Committee on Trade and Industry, batted for a review of BSP mandate.

Citing Section 3 of the New Central Bank Act, Cua said that aside from inflation control and management, the BSP shall also “promote and maintain monetary stability and the convertibility of the peso.”

“BSP officials continue to insist that intervention in the foreign exchange market is not within its mandate even when we already know what the central bankers in the rest of Asia, the US and in Europe are doing,” he said.

“We must learn from our neighbors in using competitive exchange rates to keep their home-made goods cheaper abroad, and imports more expensive locally. It is an advantage every other Asian economic manager and economist knows and work on, except us,” he added. **– Danielle Venz, *PHILEXPORT News and Features***

31. Exporters advised to sell in local market

While other exporters keep counting on their revenue and job losses due to strong peso, this small handicraft firm boasts of its robust sales. Its coping strategy: sell in the local market.

“I tell all exporters to venture into local for the meantime. We’re into local market that is why, we haven’t felt the peso’s impact. In fact, we are earning more and able to recover,” advised Nora Halili Lao, vice president export manager of Gasmar Handicrafts Inc.

She said her 32-year-old company also diversified from manufacturing into trading when foreign buyers of local handicrafts started shifting to other countries like China and Vietnam offering the same product at lower prices.

“The industry already reported 22 percent in revenue loss as a result of peso appreciation because we have no Euro negotiations. But in selling into local market, revenues range between 50 to 100 percent,” added Lao, also the vice president of the Philippine Chamber of Handicraft Industries.

The handicraft industry’s earnings last year were estimated at only $ 34.32 million, down by 22 percent from $ 44 million in 2006.

The sector, which contributes around four percent to total Philippine export sales, is hard hit by the continued appreciation of the peso and feared possible US recession. The US is the industry’s biggest market.

With this problem, Lao said, the industry expects the government, particularly the Bangko Sentral ng Pilipinas, to stabilize the local currency to a certain level, probably within 42 to 45.

The peso already breached the 40 level and is projected by fund managers to further strengthen to 37. Its continued appreciation has been affecting various sectors, especially the export industry and the business process outsourcing, and overseas Filipino workers sending home an estimated $12 billion in remittances to their families.

To help exporters sustain operations, Lao said regional and sectoral support funds are being provided by the Philippine Exporters Confederation, Inc. (PHILEXPORT), to be used for trade fairs and other export-related projects and activities.

“Exporters should not lose hope. There is life after this. If you are not making money in your business, shift to other lines,” she suggested. **– Danielle Venz, *PHILEXPORT News and Features***

32. Export leader asks congress to review BSP’s mandate for failure to address exporters’ woes

The country’s export sector has asked its allies in both houses of Congress for an immediate review of the mandate of the Bangko Sentral ng Pilipinas (BSP) for its failure to advance the country’s economic interests in the light of an ever strengthening peso.

The move was announced by Philippine Exporters Confederation (PHILEXPORT) president Sergio R. Ortiz-Luis, Jr. during the general assembly of PHILEXPORT-Zamboanga in Zamboanga City early this week even as a BSP official kept on gloating that a strong peso is good for the country.

Sought to be reviewed was the new Central Bank Act passed into law by the Cory Aquino Congress that renamed the old Central Bank to Bangko Sentral ng Pilipinas (BSP) The law made a clear mandate that said, “the primary objective of the Bangko Sentral is to maintain price stability conducive to a balanced and sustainable growth of the economy.”

Its secondary mandate read, “it shall also promote and maintain monetary stability and the convertibility of the peso”

“To our mind, the second mandate has been interpreted by present BSP officials as a go-signal for them to allow the peso to be at the mercy of hot money speculators, instead of it being used as a blanket authority to defend Philippine businesses from portfolio investors’ attacks,” he told Zamboanga exporters.

He explained that any country has the right, even the privilege, to adopt monetary policies that protect their national economic interests which the BSP has failed to do under its present mandate.

He told that exporters all over the country have either been laying off workers or closing shops after incurring heavy losses due to the strong peso.

Ortiz-Luis said that successful economies in Asia from Japan to now China and Vietnam embarked on export offensives as their development strategies hand in hand with cheap currencies, a policy they jealously refused to surrender despite pressures from the United States.

"What saddens us is that one official of the BSP keeps on telling the press that they still favor a strong peso despite their knowledge that exporters, families of OFWs, the BPOs and call centers, domestic industries competing with imports and the tourism industry – are all suffering," Ortiz-Luis explained.

He lamented the unkind remarks of the BSP official, saying that in sports and in other fields of competition, one does not kick a man when he is already down. "In the process, he is hurting the suffering majority of our people."

Ortiz-Luis further called on the government to stop taking in dollar loans starting this year and keep on pre-paying dollar loans with the excess greenback from OFWs and exports. It will not only stop the peso from further rising against the dollar.

In the long haul, he explained, it will channel back much needed tax money from paying debts to funding better education, building new roads, hospitals and irrigation and keeping our people healthy.

Also, he sought Congress to set aside an Export Sustainability Fund (ESF) to be initially funded with P2 billion out of the P35 billion in net savings of the national government on the peso's appreciation last year.

Earlier, Quirino congressman Junie Cua, senior vice chairman of the House committee on trade and industry, identified the highly indebted national government, the electric power industry and big-time smugglers as the only beneficiaries from the strong peso. **-- Abe P. Belena, *PHILEXPORT News and Features***

33. Electronics industry hopes to post 3-5% growth in 2008

Electronics firms expect that efforts on raising productivity and bringing down costs and the realization of committed investments could help the industry achieve a positive three to five percent growth in 2008 despite setbacks.

This optimism was expressed in an interview by Francis Ferrer, Philippine Exporters Confederation Inc. (PHILEXPORT) trustee of the electronics sector.

Ferrer said the export industry, including electronics, has been suffering from setbacks brought about by the continued strengthening of the peso, high power costs and the current political noise generated by the national broadband network controversy.

“The peso appreciation reduced our income by 20 percent in 2007 and will continue to have significant impact. There are predictions that it may go down to P37 to P38, and the forecasted recession in the US will aggravate that,” he said.

Ferrer said they were hoping that the local currency would depreciate due to the political situation, but the peso has maintained ground against the US dollar within the 40.50 to 40.65 range.

“In fact, companies that are already in the Philippines are talking of expanding (their operations), they are not worried about the political noise. It is the prospective investors that are cautious and are asking a lot of questions,” he said.

Ferrer, also the president of EMS Components Assembly Inc., said the biggest concern of investors is the high power cost which is one of the biggest obstacles to investors putting in their money in the country.

“We have talked to investors and they said: don’t be surprised if Vietnam will be attracting a lot of investors instead of the Philippines because of the latter’s (high) power costs and incentives provided,” he said. “The power cost here is about twice of that in other ASEAN countries.”

But Ferrer believed that efforts of the Philippine Economic Zone Authority (PEZA) to cut electricity price of their locators by 15 to 25 centavos per kilowatt-hour depending on their efficiency could help reduce their costs.

“Multinational companies still lose even if inputs are imported because of the peso components in their cost which are power and labor,” he explained. The peso’s impact is 100 percent to subcontractors whose value-added is purely labor.”

To stay in business, electronic firms encourage their clients to buy in “volume”, while continuing product development programs and aggressively implementing productivity programs.

“Each of us has productivity programs involving wastage reduction, energy conservation and reward system for people who suggest cost reduction,” he added. “Companies that are able to improve their productivity will balance it (peso’s impact) out and maintain their profitability.”

With these survival strategies, Ferrer said the industry could post growth of three to five percent this year as against earlier projection of flat growth.

“The first-quarter indication is flat. There are reasons to believe that it will continue in the second quarter and will show increases by the third and fourth quarters. Perhaps, we will end up positive because committed investments would already materialize (this year)," he noted.

PEZA-registered investments for the electronics sector rose by whopping 58 percent in 2007 to P133 billion from P84 billion the previous year.

Export sales of electronic products went up by measly 1.6 percent to $ 2.6 billion in January 2008 as against the 12.3-percent rise in December. The sector accounted for 61.5 percent of the total export revenues for the month. **– Danielle Venz, *PHILEXPORT News and Features***